



State of Washington
Department of Revenue

Excise Tax Advisory

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RETENTION OF TITLE TO SECURE PAYMENT ON INTERSTATE SALES OF GOODS

Issued August 12, 1966

Where an out-of-state seller retains title to secure payment on goods sent to an in-state buyer, is there a nontaxable interstate sale?

The taxpayer manufactured goods at an out-of-state plant and consigned them to the Seattle warehouse of the taxpayer's parent corporation. The taxpayer retained title to the goods, but the parent paid ad valorem taxes and carried insurance on the goods stocked. The documents and accounting entries concerning the transaction indicated that the taxpayer was making sales to its parent corporation. When the goods were sold to Washington customers the documents of sale named the parent corporation as the seller. The taxpayer claimed that, because title was retained solely to secure payment, the transactions between itself and its parent were interstate sales.

RCW 82.04.040 defines sale to mean any transfer of the ownership, title, or possession of property for a valuable consideration. A sale occurs when title passes, and the goods are delivered, except where bare legal title is retained for security purposes. The parent corporation had possession of the goods and exercised all rights of dominion and control over the goods. The Commission concluded that the taxpayer did retain title solely for security reasons and the transactions were nontaxable interstate sales.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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